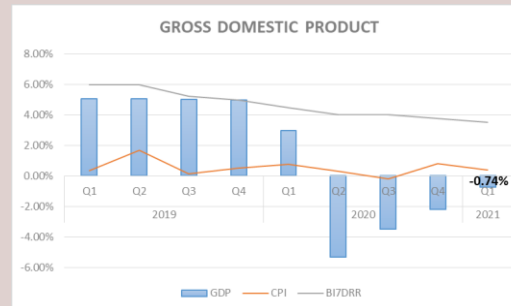


Economic Update

May Highlight :

- Based on data from the Central Statistics Agency (BPS), the Consumer Price Index (CPI) inflation in May 2021 was recorded at 0.32% (mtm), an increase compared to inflation in the previous month of 0.13% (mtm).
- The position of Indonesia's foreign exchange reserves at the end of May 2021 remained high at 136.4 billion US dollars, although it decreased compared to the position at the end of April 2021 of 138.8 billion US dollars.
- The rupiah exchange rate seems to have strengthened throughout the month of May 2021. The strengthening that occurred in May continued the strengthening of the rupiah in April which reached 0.55% in a month.
- The Deposit Insurance Corporation (LPS) at the Board of Commissioners Meeting (RDK) Thursday, 27 May 2021 has set a policy to reduce the LPS Guarantee Interest Rate for Commercial Banks and Rural Banks by 25 bps each.

Economic Growth



The Indonesian economy in the first quarter of 2021 against the first quarter of 2020 experienced a growth contraction of 0.74 percent (y-on-y). The Indonesian economy in the first quarter of 2021

compared to the previous quarter experienced a growth contraction of 0.96 percent (q-to-q).¹

Based on data from the Central Statistics Agency (BPS), the Consumer Price Index (CPI) inflation in May 2021 was recorded at 0.32% (mtm), an increase compared to inflation in the previous month of 0.13% (mtm). On annual basis, CPI inflation in May 2021 was recorded at 1.68% (yoy), an increase from last month's inflation of 1.42% (yoy). The volatile food group experienced inflation of 0.39% (mtm) in May 2021, an increase from the previous month which recorded inflation of 0.15% (mtm). The increase was driven by inflation for broiler meat, fresh fish, and cooking oil in line with the increase in demand during HBKN and the increase in global Crude Palm Oil prices. The administered prices group in May 2021 recorded inflation of 0.48% (mtm), an increase compared to inflation in the previous month of 0.11% (mtm). This development was driven by the increase in tariffs for various transportation, especially air transportation, intercity transportation, and trains in line with the Eid al-Fitr 1442 H.²

Meanwhile, the position of Indonesia's foreign exchange reserves at the end of May 2021 remained high at 136.4 billion US dollars, although it decreased compared to the position at the end of April 2021 of 138.8 billion US dollars. The position of foreign exchange reserves is equivalent to financing 9.5 months of imports or 9.1 months of imports and servicing government external debt, and is above the international adequacy standard of around 3 months of imports. The decline in the position of foreign exchange reserves in May 2021 was influenced, among other things, by the payment of the Government's foreign debt.³

¹ BPS.go.id

² Bi.go.id

³ Bi.go.id

Tabel 1. Economic Indicator		
Indicator	Apr	May
Inflation (yoy)	1.42%	1.68%
Inflation (mtm)	0.13%	0.32%
Trade Balance (USD Miliar)	2.19	*
Foreign Reserves (USD Miliar)	138.8	136.4

* unpublished

Tabel 2. Economic Indicator		
Indicator	Q4'20	Q1'21
GDP	-2.19%	-0.74%
NPI (USD Million)	(200)	5520
CAD (USD Million)	795	-997

Tabel 3. Comodity		
Comodity	Apr	May
Brent Oil (USD/Barrels)	67.25	69.32
WTI (USD/Barrels)	63.58	66.32
CPO (MYR/Metrictons)	4,408.00	4,024.00
Batu bara (USD/Metrictons)	93.30	118.90
Emas (USD/troy oz)	1,769.13	1,906.87

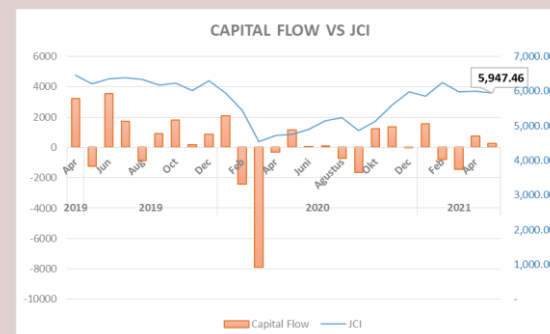
Trade Balance



Indonesia's trade balance in April 2021 returned to a surplus of 2.19 billion US dollars, an increase compared to the previous month's surplus of 1.57 billion US dollars.

The April 2021 trade balance surplus was influenced by the continuing non-oil and gas trade balance surplus and the declining oil and gas trade balance deficit. The non-oil and gas trade balance surplus was USD 3.26 billion, an increase compared to the surplus in March 2021. Meanwhile, non-oil and gas imports remained high across all components, in line with improving domestic economic activity.⁴

Capital Flow



Throughout the month of May 2021, the Jakarta Composite Index (JCI) is still at home below the 6,000 level. until the close of trading on Friday (28/5), the JCI was at the level of 5,848.62.

This level decreased by 2.45% compared to the closing at the end of April 2021 which was at 5,995.62. JCI tends to be sluggish because market players anticipate the process of national economic recovery. Considering that the realization of PEN funds is still below 30% to date. From external sentiment, market participants are worried about US inflation and the possibility of reducing bond purchases by the US Central Bank or the Fed. In addition, the negative sentiment that worried investors in the stock market (and the rest of the world) was the development of the corona virus pandemic (Coronavirus Disease-2019/Covid-19), especially in Asia. After India, a number of countries also experienced a significant spike in cases.⁵

⁴ Bi.go.id

⁵ Kontan.co.id

Tabel 4. Currencies			
Currencies	April	Mei	% Change
USD/IDR	14,445	14,280	1.14%
USD/HKD	7.7675	7.7611	0.08%
USD/SGD	1.3308	1.3217	0.68%
USD/MYR	4.0880	4.1252	-0.91%
USD/CNY	4.4749	6.3701	-42.35%
USD/JPY	109.31	109.58	-0.25%
AUD/USD	1.2959	1.2930	0.22%
EUR/USD	0.8320	0.8179	1.69%
GBP/USD	0.7235	0.7036	2.74%

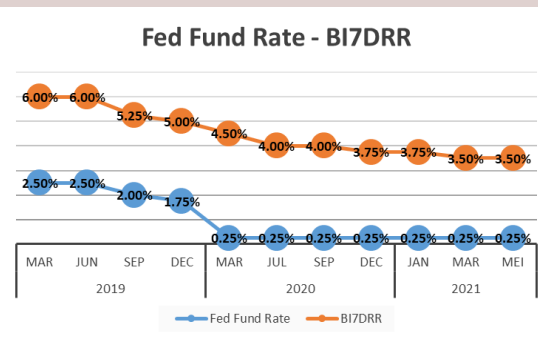
Tabel 5. Suku Bunga Acuan		
Indikator	April	May
BI 7DRR	3.50%	3.50%
Fed Funds Rate	0.00 - 0.25%	0.00 - 0.25%

Foreign Exchange

Although it tends to fluctuate in recent days, the rupiah exchange rate seems to have strengthened throughout the month of May 2021. The strengthening that occurred in May continued the strengthening of the rupiah in April which reached 0.55% in a month. Bank Indonesia (BI) noted, as of May 24, 2021, Garuda's currency strengthened 0.63% compared to the end of last April. The strengthening of the rupiah exchange rate was driven by the inflow of foreign capital into the domestic financial market, although recent developments have experienced pressure due to fluctuations in US Treasury yields.⁶



Interest Rate



The Bank Indonesia Board of Governors Meeting (RDG) on May 24-25, 2021 decided to maintain the BI 7-Day Reverse Repo Rate (BI7DRR) at 3.50%, the Deposit Facility interest rate at 2.75%, and the

Lending Facility interest rate at 4,25%.

This decision is consistent with forecasts for inflation to remain low, as well as efforts to maintain the stability of the Rupiah exchange rate and accelerate efforts to recover the economy.⁷

The Deposit Insurance Corporation (LPS) at the Board of Commissioners' Meeting (RDK) Thursday, 27 May 2021 has set a policy to lower the LPS Guarantee Interest Rate for Commercial Banks and Rural Banks by 25 bps each. The current Guarantee Interest rate for Rupiah at Commercial Banks is 4.00% and for Foreign Exchange at Commercial Banks is 0.50%. Meanwhile, the Guarantee Interest Rate for Rupiah at BPR is 6.50%. The Guaranteed Interest Rate is valid from 29 May 2021 to 29 September 2021.⁸

⁶ Kontan.co.id

⁷ Bi.go.id

⁸ Lps.go.id

Our View						
Macroeconomics Indicator and Forecast						
	2016	2017	2018	2019	2020	2021f
National Account						
GDP	5,03%	5,07%	5,17%	5,02%	-2,19%	3.75-4.50%
Inflasi (yoy)	3,58%	3,61%	3,13%	2,72%	1.68%	1.75-2.20%
Other						
FFR	0,75%	1,50%	2,50%	1,75%	0.25%	0.00-0.25%
BI7DRR	4,75%	4,25%	6,00%	5,00%	3.75%	3.25-3.50%
USD/IDR	13.461	13.554	14.394	13.866	14.050	13.900-14.400

The achievement of **GDP** or Indonesia's economic growth is projected to be in the range of 3.75-4.50% after last year's recorded negative growth. The achievement of economic growth this year was driven by improvement in the growth of its components, such as household consumption, government consumption, investment, as well as exports and imports as economic conditions gradually recovered.

Annual **inflation** until May 2021 was recorded to increase although it was still low. It is predicted that in 2021 annual inflation will still be low in the range of 1.75-2.20% but will be much higher than in 2020 and in the target range of $3 \pm 1\%$.

The Fed, continues to make sure to keep interest rates low this year. For next year, it is projected that the Fed may change monetary policy and reduce liquidity intervention and tighten and increase interest rates.

Bank Indonesia is predicted to have very limited space to reduce **BI7DRR** this year. BI will keep interest rates low until there are early indications of improvement in inflation. This is likely to happen early next year.

The Rupiah exchange rate tends to fluctuate throughout the month of May. Even so, the Rupiah was able to strengthen in May. It is predicted that the Rupiah will continue to strengthen in June, supported by positive optimism for economic growth in the second quarter of 2021.

The potential for the credit sector began to show positive growth in the first quarter of 2021 and is expected to continue in the second quarter with the government's various stimulus programs showing their impact in generating market optimism.